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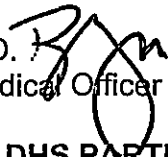
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June 20, 2007

TO: Each Supervisor

FROM: Bruce A. Chernof, M.D. 
Director and Chief Medical Officer

SUBJECT: **MEDICARE PART D: DHS PARTICIPATION**

This is in response to your June 5, 2007 motion instructing the Chief Administrative Officer in collaboration with the Director of Health Services to "immediately reassess and amend, as necessary, the existing policy which excludes Medicare Part D prescription coverage and report back to the Board within 15 days with any findings and recommendations."

History

Prior to Medicare Part D, Medicare fee-for-service beneficiaries were required to pay for their medications, as no outpatient prescription coverage existed in the Medicare program. Medicare beneficiaries who elected a supplemental plan, health maintenance organization, or were dually eligible (Medicare and Medi-Cal) were provided access to prescription medications through the secondary plan. As a result of the Medicare Prescription Drug Improvement and Modernization Act of 2003, the Centers for Medicare and Medicaid Services (CMS) commenced a new prescription drug benefit on January 1, 2006. This was the most sweeping Medicare change in decades, and provided new optional prescription drug coverage for fee-for-service Medicare patients. Dually eligible patients, who had previously received prescription coverage from Medi-Cal, were moved to the Medicare Part D program for outpatient prescription coverage.

The implementation of the Medicare Part D program was a huge undertaking and accomplished very quickly. Unlike other benefits under traditional Medicare, Part D is administered through a private network of almost 1900 stand-alone prescription drug plans (PDP's). In California, there are currently 47 PDP's in the fee-for-service system and 120 Medicare Advantage managed care PDP's. Medications are dispensed to the ambulatory care patient through a private network of community pharmacies established by the PDP, utilizing sophisticated pharmacy information systems that perform concurrent drug utilization review, formulary and benefit analysis/adjudication for enrolled patients.

In mid-2005, in anticipation of this new Medicare optional benefit, the Department of Health Services (DHS) conducted an analysis of its Medicare and dually eligible patient population, departmental resource

requirements for the potential implementation of Medicare Part D, as well as a review of the surrounding community pharmacy networks that were expected to contract with Medicare Part D plans. At the time of this assessment, the following issues were identified:

- The estimated number of DHS patients with existing Medicare fee-for-service was less than 5%. Since Medicare Part D is a voluntary program not all Medicare participants will opt to enroll.
- The timelines for contracting with the multiple California-approved PDP plans, given the very rapid implementation of Medicare Part D was expected to be a lengthy process. Dually eligible patients (Medicare/Medi-Cal) who did not select a PDP plan were automatically assigned by CMS to one of 10 plans by CMS, which would require multiple additional contracts.
- Current proprietary DHS outpatient pharmacy information systems lacked the technology to provide automated billing/regimen review, which is a requirement for prospective adjudication of multiple PDP plans.
- Due to the fact that Medicare beneficiaries heretofore did generally not access DHS pharmacies, additional pharmacy and staffing resources would have been required for increased expected prescription volume.
- An extensive Medicare Part D community pharmacy network existed in areas immediately surrounding DHS hospital and outpatient clinics, as evidenced via the online CMS "Medicare Prescription Drug Plan Finder" (www.medicare.gov).

At the time of this initial review, DHS decided to direct Medicare fee-for-service patients who obtained optional Medicare Part D coverage to a nearby community PDP network pharmacy, allowing those patients to obtain their medications under the prescription drug plan with which they enrolled. Patients who elected to continue obtaining medication through a DHS pharmacy would have the ability to continue to do so, paying a cash price (ingredient drug cost + pharmacy dispensing fee) for their medication, as was in place before the availability of Medicare Part D. Dually eligible (Medicare/Medi-Cal) patients also automatically receive their drug benefit through the Medicare Part D program, and were also directed to a nearby community PDP network pharmacy.

DHS provided an educational program to healthcare staff on the new Medicare Part D plan, both at the facility level and through the DHS intranet. Also available on the DHS intranet is direct access to the drug formularies for the most common PDP (no premium, low income subsidy plans) so that appropriate patient medication selection might be optimized by the prescriber.

At the time of this initial review, the Department also intended to review the Medicare Part D policy during the 2007 calendar year.

Current State

The attached document provides a summary of each of our current DHS outpatient pharmacy locations, along with a list of the Medicare Part D community pharmacies that are in proximity to each location, ranging from 0.1 to 4.0 miles. Many of the larger DHS healthcare facilities, such as LAC+USC and Harbor/UCLA Medical Centers, have a

community pharmacy located within a few blocks of the hospital outpatient clinics. There are some smaller volume outpatient sites, such as Rancho Los Amigos National Rehabilitation Center and High Desert Multiservice Ambulatory Care Center, which require patients to travel two to four miles to the nearest Medicare Part D community PDP pharmacy.

Patients enrolled in the optional Medicare Part D plan have the choice of taking their personal prescription to a community pharmacy within the PDP pharmacy network, or to a DHS outpatient pharmacy and paying for their medication. Most Medicare Part D network pharmacies charge a patient co-pay of \$1.00 to \$5.00 per prescription. No patient with a valid prescription is turned away from any of our outpatient pharmacies.

Next Steps

This report provides preliminary information. DHS will require additional time to conduct a review of updated patient Medicare data and to cost out Medicare Part D resource requirements. This includes a technical and financial analysis related to the Department's pharmacy information systems to determine the cost to upgrade these systems to be able to handle required Medicare Part D billing processes.

A final report will be provided to your Board within 90 days. In the meantime if you have any questions, please let me know.

BAC:ag
706:003

Attachment

c: Chief Administrative Officer
County of Counsel
Executive Officer, Board of Supervisor

Los Angeles County Community Pharmacy Locations: Medicare Part D Prescription Drug Plan (PDP) Network Pharmacies
(CMS Medicare Website)

DHS Healthcare Facility	Distance range (miles) to Nearest Medicare Part D Community Pharmacy	Medicare Part D Community Pharmacy Name	Pharmacy Address	Distance (miles) from DHS healthcare facility
LAC+USC Network				
LAC+USC Medical Center	0.6 mile	MISSION ROAD PHARMACY	1155 N MISSION RD, LOS ANGELES, CA 90033	0.6
		USC MEDICAL PLAZA PHARMACY	1510 SAN PABLO ST STE 144, LOS ANGELES, CA 90033	0.8
		BOTICA DEL SOL	2331 E CESAR CHAVEZ AVE, LOS ANGELES, CA 90033	1.6
		HYGEIA LTC PHARMACY	305 N SOTO ST STE A, LOS ANGELES, CA 90033	1.6
		RAMIREZ PHARMACY	2403 CEASAR E CHAVEZ AVE, LOS ANGELES, CA 90033	1.6
		WHITE MEMORIAL MED PLZ PHCY	1701 CEASAR CHAVEZ AVE STE 109, LOS ANGELES, CA 90033	1.6
		ST LOUIS DRUG COMPANY	2100 E 1ST ST, LOS ANGELES, CA 90033	2.1
El Monte Comprehensive Health Center	0.1 mile	ANA PHARMACY	3513 JOHNSON AVE, EL MONTE, CA 91731	0.4
		BOTICA EL MONTE	10808 RAMONA BLVD, EL MONTE, CA 91731	0.1
		MIDWAY DRUGS	10410 LOWER AZUSA RD 102, EL MONTE, CA 91731	2.1
		RALPHS PRESCRIPTION DRUG	10728 E RAMONA BLVD STE F, EL MONTE, CA 91731	1.7
		RITE AID CORPORATION	SANTA FE PLAZA 3570 SANTA ANITA AVENUE, EL MONTE, CA 91731	0.5
Hudson Comprehensive Health Center	0.3 mile	ORTHOPEADIC HOSPITAL PHARMACY	2400 S FLOWER ST, LOS ANGELES, CA 90007	0.5
		PHARMACY CENTRAL	3009 S VERMONT AVE, LOS ANGELES, CA 90007	1.1
		SIERRA PHARMACY	2708 S FIGUEROA ST, LOS ANGELES, CA 90007	0.3
		USC PHARMACY	3601 TROUSDALE PKWY, LOS ANGELES, CA 90089	1.0
		VILLAGE PHARMACY	3137 S HOOVER ST, LOS ANGELES, CA 90007	0.7
		FLOWER MEDICAL PHARMACY	2300 S FLOWER ST, LOS ANGELES, CA 90007	0.5
Roybal Comprehensive Health Center	0.6 mile	6122 PHARMACY	6122 WHITTIER BLVD, LOS ANGELES, CA 90022	1.8
		ATLANTIC PHARMACY	273-B S ATLANTIC BLVD, LOS ANGELES, CA 90022	0.6
		EL REY MEDICAL PHARMACY	5310 WHITTIER BLVD, LOS ANGELES, CA 90022	1.6
		L A GOOD NEIGHBOR PHARMACY	4562 E CESAR E CHAVEZ AVE, LOS ANGELES, CA 90022	0.8
		MARCOS FARMACIA	4762 WHITTIER BLVD, LOS ANGELES, CA 90022	1.1
		MEDNIK PHARMACY	609 N MEDNIK AVE, LOS ANGELES, CA 90022	0.6
		OLYMPIC PHARMACY	5724 E OLYMPIC BLVD, COMMERCE, CA 90022	2.6
		REXMED PHARMACY	4481 WHITTIER BLVD, LOS ANGELES, CA 90022	1.3
		RITE AID CORPORATION	5490 WHITTIER BOULEVARD, EAST LOS ANGELES, CA 90022	1.9
		TARGET CORPORATION	5600 EAST WHITTIER BLVD, LOS ANGELES, CA 90022	2.0
Coastal Network				
Harbor/UCLA Medical Center	0.1 mile	CARSON PHARMACY	21720 S VERMONT AVE STE 101, TORRANCE, CA 90502	0.1
		HARBOR OUTPATIENT COMM PHCY	1001 W CARSON ST STE D, TORRANCE, CA 90502	0.1
		RITE AID CORPORATION	1237 W CARSON ST, TORRANCE, CA 90502	0.3
		WAL-MART PHARMACY	19503 SOUTH NORMANDIE AVE, TORRANCE, CA 90502	3.3
Wilmington Health Center	0.1 mile	AVALON PHARMACY	111 W PACIFIC COAST HWY STE D, WILMINGTON, CA 90744	0.2
		BEACON DRUG COMPANY	1303 N AVALON BLVD, WILMINGTON, CA 90744	0.1

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		CVS PHARMACY	311C WEST PACIFIC COAST HIGHWAY, WILMINGTON, CA 90744	0.4		
		FARMACIA M	950 N AVALON BLVD STE 105, WILMINGTON, CA 90744	0.6		
		RITE AID CORPORATION	108 WEST ANAHEIM STREET, WILMINGTON, CA 90744	0.7		
		THE MEDICINE CABINET	228 E ANAHEIM ST, WILMINGTON, CA 90744	0.7		
Long Beach Comprehensive Health Center	0.6 mile	ATLANTIC PROFESSIONAL PHARMACY	1045 ATLANTIC AVE, LONG BEACH, CA 90813	0.9		
		CVS PHARMACY	596 LONG BEACH BOULEVARD, LONG BEACH, CA 90802	1.3		
		FAMILY PHARMACY	1400 ATLANTIC AVE, LONG BEACH, CA 90813	0.8		
		GOLDEN PHARMACY	1750 PACIFIC AVE STE A, LONG BEACH, CA 90813	0.6		
		GORDONS FAIRVIEW PHARMACY	861 E ANAHEIM ST, LONG BEACH, CA 90813	0.8		
		LONGS DRUG STORE NETWORK PHARMACY	500 ALAMITOS BLVD, LONG BEACH, CA 90802	1.6		
		MEDICAL MALL PHARMACY	1040 ELM AVE, LONG BEACH, CA 90813	0.9		
		MISSION DRUGS	1050 ATLANTIC AVENUE, LONG BEACH, CA 90813	0.9		
		P AND H PHARMACY	1259 E ANAHEIM ST, LONG BEACH, CA 90813	1.2		
		RITE AID CORPORATION	601 PINE AVENUE, LONG BEACH, CA 90802	0.8		
		RITE AID CORPORATION	211 CHERRY AVE, LONG BEACH, CA 90802	2.8		
		VERMILLIONS REXALL DRUG	1942 E ANAHEIM ST, LONG BEACH, CA 90813	1.6		
		VONS	600 EAST BROADWAY, LONG BEACH, CA 90802	2.3		
		WALGREEN DRUG STORE	600 LONG BEACH BLVD, LONG BEACH, CA 90802	1.0		
		WAL-MART PHARMACY	151 EAST 5TH ST, LONG BEACH, CA 90802	1.0		
		WARDS PHCY UNITED DRUGS	653 LONG BEACH BLVD, LONG BEACH, CA 90802	1.0		
ValleyCare Network						
Olive View Medical Center	1.0 mile	CVS PHARMACY	12717 GLENOAKS, SYLMAR, CA 91342	2.4		
		RITE AID CORPORATION	13237 GLADSTONE AVENUE, SYLMAR, CA 91342	1.9		
		SAYRE MEDICAL PHARMACY	14124 FOOTHILL BLVD, SYLMAR, CA 91342	1.0		
		SYLMAR PROFESSIONAL	12737 GLENOAKS BLVD STE 27, SYLMAR, CA 91342	1.4		
Mid-Valley Comprehensive Health Center	0.4 mile	COWDREYS PHARMACY	15243 VANOWEN ST, VAN NUYS, CA 91405	1.8		
		CVS PHARMACY	15232 SHERMAN WAY, VAN NUYS, CA 9140	1.5		
		MED CENTER PHARMACY	14624 SHERMAN WAY, VAN NUYS, CA 91405	0.6		
		RITE AID CORPORATION	7239 WOODMAN AVE, VAN NUYS, CA 91405	1.4		
		SAVON PHARMACY	7227 VAN NUYS BLVD, VAN NUYS, CA 91405	0.4		
		STAR PHARMACY	14400 VANOWEN ST, VAN NUYS, CA 91405	1.0		
		TARGET CORPORATION	14920 RAYMER STREET ATTN PHARMACY ETL, VAN NUYS, CA 91405	0.9		
		VAN NUYS PHARMACY	7400 VAN NUYS BLVD STE 111, VAN NUYS, CA 91405	0.1		
		WALGREEN DRUG STORE	7155 VAN NUYS BLVD, VAN NUYS, CA 91405	0.5		
		YOUNGS PHARMACY	7134 VAN NUYS BLVD, VAN NUYS, CA 91405	0.5		
		DRUG AID PHARMACY	7324 N SEPULVEDA BLVD, VAN NUYS, CA 91405	1.1		
		VANOWEN MEDICAL PHARMACY	6815 NOBLE AVE, VAN NUYS, CA 91405	1.7		
		LYON PHARMACY II	7218 VAN NUYS BLVD STE B, VAN NUYS, CA 91405	0.4		
		MESA PHARMACY IV	7218 VAN NUYS BLVD STE B, VAN NUYS, CA 91405	0.4		
		San Fernando Health Center	0.6 mile	ABSOLUTE CARE PHARMACY	541 NORTH MACLAY AVE STE 104, SAN FERNANDO, CA 91340	0.8
				CVS PHARMACY	9900 SEPULVEDA BLVD, MISSION HILLS, CA 91345	3.9
HOLY CROSS	11550 INDIAN HILLS RD STE 130, MISSION HILLS, CA 91345			2.6		

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		RITE AID CORPORATION	LA RINDA SHOPPING CENTER 14727 RINALDI STREET, SAN FERNANDO, CA 91340	2.9
		RITE AID CORPORATION	DENNIS PARK SC 10349 SEPULVEDA BOULEVARD, MISSION HILLS, CA 91345	0.6
		NORTHEAST VALLEY HLTH PHCY	1600 SAN FERNANDO RD, SAN FERNANDO, CA 91340	3.2
		CRAIG M CHANIN MD	211 S MACLAY AVE, SAN FERNANDO, CA 91340	3.3
High Desert Multiservice Ambulatory Care Center	4.1 miles	CVS PHARMACY	4105 W AVENUE L, LANCASTER, CA 93536	4.4
		CVS PHARMACY	2006 W J AVE, LANCASTER, CA 93536	4.6
		QUARTZ HILL	42357 50TH ST W 101, QUARTZ HILL, CA 93536	4.1
		SAVON DRUGS	43543 20TH ST W, LANCASTER, CA 93536	5.7
		VONS	4033 WEST AVENUE L, LANCASTER, CA 93536	4.5
		WALGREEN DRUG STORE	2840 W AVENUE, LANCASTER, CA 93536	4.9
		WAL-MART PHARMACY	44765 VALLEY CENTRAL WAY, LANCASTER, CA 93536	4.6
Southwest Network				
Martin L. King-Harbor Hospital	0.4 mile	CVS PHARMACY	650 EAST EL SEGUNDO BOULEVARD, LOS ANGELES, CA 90059	1.8
		RITE AID CORPORATION	11750 WILMINGTON AVENUE, LOS ANGELES, CA 90059	0.4
		RITE AID CORPORATION	1001 NORTH CENTRAL AVENUE, COMPTON, CA 90222	1.9
		THE PHARMACY	11905 S CENTRAL AVE, LOS ANGELES, CA 90059	1.2
Humphrey Comprehensive Health Center	1.2 miles	CALIFORNIA PHARMACY	9304 S BROADWAY, LOS ANGELES, CA 90003	2.6
		CVS PHARMACY	5822 SOUTH VERMONT AVENUE, LOS ANGELES, CA 90044	1.2
		MANCHESTER PROFESSIONAL PHARMACY	600 W MANCHESTER AVE, LOS ANGELES, CA 90044	2.5
		SUREWAY REXALL DRUG CO	11500 S VERMONT AVE, LOS ANGELES, CA 90044	5.0
Rancho Los Amigos				
Ranchos Los Amigos National Rehabilitation Center	2.1 miles	LONGS DRUG STORE	12056 LAKEWOOD DR, DOWNEY, CA 90242	2.3
		COMMUNITY PHARMACY	10401 LAKEWOOD BLVD, DOWNEY, CA 90241	3.2
		CVS PHARMACY	8008 FIRESTONE BOULEVARD, DOWNEY, CA 90241	2.1
		CVS PHARMACY	8400 FIRESTONE BLVD, DOWNEY, CA 90241	2.5
		DOWNEY PLAZA PHARMACY	11480 BROOKSHIRE AVE STE 102, DOWNEY, CA 90241	2.4
		PACIFIC PHARMACY	11525 BROOKSHIRE AVE STE 100, DOWNEY, CA 90241	2.4
		RALPHS PHARMACY	8626 FIRESTONE BLVD, DOWNEY, CA 90241	2.8
		RITE AID CORPORATION	7859 FIRESTONE BOULEVARD, DOWNEY, CA 90241	2.2
		SAVON PHARMACY	7676 FIRESTONE BLVD, DOWNEY, CA 90241	2.4
		ZWEBER APOTHECARY	10720 S PARAMOUNT BLVD BOX 10, DOWNEY, CA 90241	2.5
		ZWEBER APOTHECARY	11411 BROOKSHIRE AVE STE 107, DOWNEY, CA 90241	2.5
		ZWEBER APOTHECARY PHARMACY	10800 S PARAMOUNT BLVD STE 101, DOWNEY, CA 90241	2.5